

FINANCIAL STATEMENTS

TOWNSHIP OF BURT
Alger County, Michigan

For the year ended March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF BURT	County ALGER
Fiscal Year End 03/31/06	Opinion Date 10/06/06	Date Audit Report Submitted to State 10/12/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

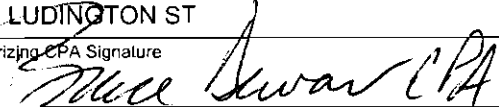
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. (1)
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. (2)
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute. (3)
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) SCHNEIDER, LARCHE, HAAPALA & COMPANY, PLLC		Telephone Number 906-786-6151		
Street Address 401 LUDINGTON ST		City ESCANABA	State MI	Zip 49829
Authorizing CPA Signature 		Printed Name BRUCE D DEWAR		License Number 1101011278

- (1) SUBSEQUENT TO MARCH 31, 2006
- (2) PAYROLL RELATED TAXES
- (3) LIMITED PRE-APPROVAL ITEMS

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March 31, 2006

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*Schneider, Larche,
Haapala & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

David P. Pechawer, C.P.A., P.C.

Denise M. Boyle, C.P.A., P.C.

Bruce D. Dewar, C.P.A.

Karen L. Meiers, C.P.A., P.C.

October 6, 2006

Township Board
Township of Burt
Alger County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Burt, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of Burt, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The management's discussion and analysis and budgetary comparison information of pages 3 through 8 and 34 through 38 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schneider Tax & Accounting Company, P.C.
Certified Public Accountants

**TOWNSHIP OF BURT
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS
March 31, 2006**

This discussion and analysis of the Township's financial position and activities is presented as of and for the year ended March 31, 2006. The information presented should be read in conjunction with the Township's financial statements that follow.

The discussion and analysis is intended to assist the readers understanding of the financial statements by highlighting summarized financial data, activities, trends and other related information.

ANNUAL REPORT

The Township annual report consists of three main financial information components as follows:

- Basic financial statements
- Required supplemental information
- Other supplemental information

Basic Financial Statements - The basic financial statements present government - wide financial statements that provide information about the Township's financial condition and activities as a whole. The government - wide financial statements provide data relating to the long-term nature of the Township's operations by reporting all Township assets and liabilities that will provide or require financial resources in the future and the Township's investment in property and equipment.

In addition, the basic financial statements present fund financial statements that provide information about the significant individual funds of the Township. The basic financial statements also include footnote disclosures necessary to provide additional information regarding the basic financial statements and other significant issues regarding the Township's financial position and activity.

Required Supplemental Information - Required supplemental information is not a part of the basic financial statements but is an important part of the annual report. The primary financial information contained herein is budgetary information of the Township's General Fund and other major special revenue funds.

Other Supplemental Information - Other supplemental information provides additional financial information regarding nonmajor funds of the Township and budgetary information not included as required supplemental information.

**TOWNSHIP OF BURT
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2006**

FINANCIAL HIGHLIGHTS

Financial highlights discussed below include the following items:

- Government-wide financial information
- Governmental funds financial information
- Other information

Government - wide Financial Information - The net assets of the Township as a whole for the year ended March 31, 2006 increased by \$92,320 to \$1,678,971. A comparison of net assets as of March 31, 2006 and 2005 are presented below. Net assets for 2005 have been restated as discussed in the footnotes to the financial statements.

	<u>2006</u>	<u>2005</u>
Cash	\$ 574,527	\$ 566,962
Receivables	<u>154,042</u>	<u>160,819</u>
Total noncapital assets	728,569	727,781
Capital assets, net	<u>1,348,169</u>	<u>1,149,690</u>
Total assets	<u>2,076,738</u>	<u>1,877,471</u>
Accounts payable and accrued expenses	139,987	99,320
Long-term debt	<u>257,780</u>	<u>191,500</u>
Total liabilities	<u>397,767</u>	<u>290,820</u>
Net assets	<u>\$1,678,971</u>	<u>\$1,586,651</u>

Net assets are categorized as follows:

Invested in capital assets, net of related debt	\$1,090,389	\$ 958,190
Other net assets	<u>588,582</u>	<u>628,461</u>
	<u>\$1,678,971</u>	<u>\$1,586,651</u>

**TOWNSHIP OF BURT
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2006**

Government - wide Financial Information (Continued)

Significant revenues and expenditures on a government-wide basis are as follows for the year ending March 31, 2006 and the nine months ending March 31, 2005:

Revenues:	<u>2006</u>		<u>2005</u>	
Program:		<u>%</u>		<u>%</u>
Charges for services	\$ 477,862	49	\$ 370,445	47
Grants and contributions	164,859	17	65,964	8
General:				
Taxes	225,023	23	230,162	29
State revenue	35,440	4	25,745	3
Other	<u>68,611</u>	<u>7</u>	<u>100,993</u>	<u>13</u>
	<u>971,795</u>	<u>100</u>	<u>793,309</u>	<u>100</u>
Expenditures:				
General operations	263,415	30	190,112	22
Public safety	128,358	14	44,068	5
Public works	50,106	6	67,403	8
Health and welfare	50,794	6	51,631	6
Recreation and culture	35,746	4	30,053	3
Interest expense	2,106	-	2,772	-
Other expenditures	1,002	-	156,760	18
Water system	112,367	13	88,604	10
Other business-type activities	<u>235,581</u>	<u>26</u>	<u>225,593</u>	<u>28</u>
	<u>879,475</u>	<u>100</u>	<u>856,996</u>	<u>100</u>
Change in Net Assets	\$ <u>92,320</u>		(\$ <u>63,687</u>)	

Revenues for the year ended March 31, 2006 are comparable to the prior year after considering the fact that 2005 was a nine month fiscal period. In addition, revenues for 2006 included federal grants of approximately \$80,000. Anticipated revenues for 2007 should be comparable with 2006, with additional federal grant funds expected in 2007 for the water well project.

Expenditures for the year ended March 31, 2006 are comparable with the nine month fiscal period ending March 31, 2005. Public safety expenditures in 2006 include federal grant expenditures of approximately \$80,000. Included in other expenditures for 2005 is unallocated depreciation of \$115,186. Depreciation expense in 2006 has been allocated to the various expenditure activities. Expenditures in 2007 are expected to approximate expenditures in 2006 but will not include the one-time federal grant expenditures.

**TOWNSHIP OF BURT
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2006**

Governmental Funds Financial Information - As discussed in the basic financial statements, the basis of presentation and the basis of accounting used in preparing the government-wide and governmental funds financial statements are different.

The fund balances of the governmental funds of the Township decreased by \$29,838 to \$273,367. Cash balances of the governmental funds decreased by \$35,210 to \$324,376.

Revenues and expenditure comparisons with the prior year are presented below:

	<u>2006</u>	<u>2005</u>
Total Revenues:		
General fund	\$ 216,884	\$ 209,936
Other funds	<u>500,454</u>	<u>276,910</u>
	<u>717,338</u>	<u>486,846</u>
 Total Expenditures:		
General fund	228,039	210,153
Other funds	<u>519,137</u>	<u>243,067</u>
	<u>747,176</u>	<u>453,220</u>
 Change in fund balances	(\$ <u>29,838</u>)	\$ <u>33,626</u>

Revenues and expenditures reported for 2005 are for a nine month fiscal period. In 2006, expenditures include capital outlay of \$161,705. No capital outlay expenditures were reported for 2005.

**TOWNSHIP OF BURT
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2006**

Business-type Funds Financial Information - Net assets of the business-type funds of the Township increased by \$107,031 to \$786,625. Cash balances of the funds increased by \$42,755 to \$250,151.

Revenue and expense comparisons with the prior year are presented below. Revenues and expenditures for 2005 are for a nine month fiscal period.

	<u>2006</u>	<u>2005</u>
Total Revenues:		
Changes for services	\$ 399,530	\$ 289,702
Interest income	8,227	3,260
Other revenues	29,083	14,050
Net transfers	<u>18,139</u>	<u>-</u>
	<u>454,979</u>	<u>307,012</u>
 Total Expenses:		
Operating expenses	300,960	266,827
Depreciation	38,421	38,421
Interest expense	<u>8,567</u>	<u>8,949</u>
	<u>347,948</u>	<u>314,197</u>
 Change in net assets	\$ <u>107,031</u>	(\$ <u>7,185</u>)

Other Information

Debt Service - The Township made principal payments on long-term debt totaling \$55,518 in 2006. Debt service requirements for 2007 include principal payments of \$51,865 and interest payments of \$9,458.

Capital Outlay - The Township's total investment in property and equipment totaled \$2,969,590 as of March 31, 2006. This investment includes business type property and equipment of \$1,395,829 and other property and equipment of \$1,573,761.

Water Well Project - The Township is expected to complete construction of the new water well project during 2007. The total cost of the project is expected to approximate \$310,000 and is being financed with federal grants of approximately \$180,000 and use of available Water Fund cash of approximately \$130,000.

**TOWNSHIP OF BURT
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2006**

Subsequent Borrowing - Subsequent to the end of the year, the Township approved a \$175,000 line-of-credit secured by real estate owned by the Township. The line-of credit will be used to provide funds to pay-off delinquent payroll tax liabilities and to provide liquidity for Township operations.

TOWNSHIP OF BURT
STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Noncapital Assets:			
Cash and certificates of deposit	\$ 324,376	\$ 250,151	\$ 574,527
Internal balances	30,880	(30,880)	-
Accounts receivable	17,654	15,053	32,707
Taxes receivable	17,141	-	17,141
Notes receivable	96,167	-	96,167
Due from other governments	<u>8,027</u>	<u>-</u>	<u>8,027</u>
TOTAL NONCAPITAL ASSETS	494,245	234,324	728,569
Capital Assets:			
Capital assets, net of accumulated depreciation	<u>610,080</u>	<u>738,089</u>	<u>1,348,169</u>
TOTAL ASSETS	\$ <u>1,104,325</u>	\$ <u>972,413</u>	\$ <u>2,076,738</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable and other liabilities	\$ 105,074	\$ 34,913	\$ 139,987
Current portion of noncurrent liabilities	<u>32,336</u>	<u>18,855</u>	<u>51,191</u>
TOTAL CURRENT LIABILITIES	137,410	53,768	191,178
Noncurrent Liabilities:			
Noncurrent portion of notes payable	74,569	25,020	99,589
Noncurrent portion of bonds payable	<u>-</u>	<u>107,000</u>	<u>107,000</u>
TOTAL LIABILITIES	<u>211,979</u>	<u>185,788</u>	<u>397,767</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	503,175	587,214	1,090,389
Restricted:			
Debt service	-	42,988	42,988
Unrestricted	<u>389,171</u>	<u>156,423</u>	<u>545,594</u>
TOTAL NET ASSETS	<u>892,346</u>	<u>786,625</u>	<u>1,678,971</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,104,325</u>	\$ <u>972,413</u>	\$ <u>2,076,738</u>

See notes to financial statements.

TOWNSHIP OF BURT

STATEMENT OF ACTIVITIES

For the year ended March 31, 2006

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities							
Legislative	\$ 3,600	\$ -	\$ -	-	\$ (3,600)	\$ -	(3,600)
General government	259,815	22,742	1,000	4,755	(231,318)		(231,318)
Public safety	128,358	-	80,322	-	(48,036)		(48,036)
Public works	50,106	-	-	15,075	(35,031)		(35,031)
Health and welfare	50,794	53,761	24,135	-	27,102		27,102
Recreation and culture	35,746	1,829	-	10,489	(23,428)		(23,428)
Interest on long-term deb	2,106	-	-	-	(2,106)		(2,106)
Other	1,002	-	-	-	(1,002)		(1,002)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 531,527	\$ 78,332	\$ 105,457	\$ 30,319	(317,419)		(317,419)
Business-type Activities							
Water system	\$ 112,367	\$ 92,531	\$ -	-	\$ (19,836)		(19,836)
Park	107,527	192,394	-	-	84,867		84,867
Marina	48,154	31,996	9,092	19,991	12,925		12,925
Fuel system	79,900	82,609	-	-	2,709		2,709
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 347,948	\$ 399,530	\$ 9,092	\$ 19,991	80,665		80,665
General Revenues							
Property taxes					225,023	-	225,023
State revenues					35,440	-	35,440
Other local revenues:					44,620	-	44,620
Interest					15,764	8,227	23,991
Transfers					(18,139)	18,139	-
TOTAL GENERAL REVENUES AND TRANSFERS					302,708	26,366	329,074
Change in net assets					(14,711)	107,031	92,320
Net assets - beginning of year as restated					907,057	679,594	1,586,651
Net assets - end of year					\$ 892,346	\$ 786,625	\$ 1,678,971

See notes to financial statements

TOWNSHIP OF BURT

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

ASSETS

Cash and certificates of deposit	\$ 119,051	\$ 11,270	\$ 50,562	\$ 28,336	\$ 38,400	\$ 76,757	\$ 324,376
Accounts receivable	424	-	-	16,545	-	685	17,654
Taxes receivable	2,158	-	9,482	-	-	5,501	17,141
Notes receivable	-	-	-	-	96,167	-	96,167
Due from other governments	8,027	-	-	-	-	-	8,027
Due from other funds	315	-	7,249	10,000	49,448	49,363	116,375

TOTAL ASSETS \$ 129,975 \$ 11,270 \$ 67,293 \$ 54,881 \$ 184,015 \$ 132,306 \$ 579,740

LIABILITIES

Accounts payable and accrued expenses	\$ 104,535	\$ -	\$ 216	\$ 323	\$ -	\$ -	\$ 105,074
Deferred revenue	4,654	-	9,482	-	96,167	5,501	115,804
Due to other funds	65,495	-	-	-	20,000	-	85,495

TOTAL LIABILITIES 174,684 - 9,698 323 116,167 5,501 306,373

FUND BALANCES

Unreserved	(44,709)	11,270	57,595	54,558	67,848	-	146,562
Unreserved nonmajor funds:							
Special revenue funds	-	-	-	-	-	126,805	126,805

TOTAL FUND BALANCES (44,709) 11,270 57,595 54,558 67,848 126,805 273,367

TOTAL LIABILITIES AND

FUND BALANCES \$ 129,975 \$ 11,270 \$ 67,293 \$ 54,881 \$ 184,015 \$ 132,306 \$ 579,740

TOWNSHIP OF BURT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

March 31, 2006

Total fund balances per governmental funds balance sheet \$ 273,367

Amounts reported for governmental activities
in the statement of net assets are different because:

Capital assets are not reported in the governmental funds
balance sheet because they are not current financial resources,
but they are reported in the statement of net assets. 610,080

Certain receivables are deferred in the governmental funds
balance sheet because they are not available to pay current period
expenditures, but they are not deferred in the statement of net assets. 115,804

Certain liabilities and long-term obligations are not reported in the
governmental funds balance sheet because they are not due and
payable, but they are presented in the statement of net assets. (106,905)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 892,346

See notes to financial statements.

TOWNSHIP OF BURT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the year ended March 31, 2006

	General Fund	Beach Access Fund	Improvement Fund	Ambulance Fund	Revolving Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 65,939	\$ -	\$ 101,462	\$ -	\$ -	\$ 58,841	\$ 226,242
Federal sources	-	-	79,206	-	-	-	79,206
State sources	35,606	-	18,200	-	-	1,016	54,822
Local sources	14,600	10,489	-	24,135	-	100	49,324
Charges for services	14,431	-	2,630	46,392	-	9,198	72,651
Interest and rentals	7,115	102	1,431	605	9,936	2,256	21,445
Other	25,193	-	404	3,039	20,942	2,384	51,962
TOTAL REVENUES	162,884	10,591	203,333	74,171	30,878	73,795	555,652
Expenditures:							
Legislative	3,600	-	-	-	-	-	3,600
General government	211,302	-	39,251	-	-	-	250,553
Public safety	-	-	74,927	-	-	24,007	98,934
Public works	-	-	106,906	-	-	-	106,906
Health and welfare	-	-	-	40,508	-	6,861	47,369
Recreation and culture	13,137	101,572	-	-	-	9,517	124,226
Debt service	-	10,000	7,984	-	-	18,577	36,561
Other functions	-	-	-	-	1,002	-	1,002
TOTAL EXPENDITURES	228,039	111,572	229,068	40,508	1,002	58,962	669,151
Excess of Revenues (Expenditures)	(65,155)	(100,981)	(25,735)	33,663	29,876	14,833	(113,499)
Other Financing Sources (Uses):							
Transfers in	54,000	-	1,028	-	-	4,858	59,886
Transfers out	-	-	(10,500)	(8,400)	(50,000)	(9,125)	(78,025)
Loan proceeds	-	70,000	31,800	-	-	-	101,800
TOTAL OTHER SOURCES (USES)	54,000	70,000	22,328	(8,400)	(50,000)	(4,267)	83,661
Change in Fund Balances	(11,155)	(30,981)	(3,407)	25,263	(20,124)	10,566	(29,838)
Fund Balances, beginning of year as restated	(33,554)	42,251	61,002	29,295	87,972	116,239	303,205
Fund Balances, end of year	(\$ 44,709)	\$ 11,270	\$ 57,595	\$ 54,558	\$ 67,848	\$ 126,805	\$ 273,367

See notes to financial statements.

TOWNSHIP OF BURT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2006

Net change in total fund balances per governmental fund financial
statement of revenues, expenditures, and changes in fund balances (\$ 29,838)

Amounts reported for governmental activities in the statement
of activities is different because:

Capital outlays are reported as expenditures in the governmental
funds financial statement because they use current financial
resources, but they are depreciated over their estimated economic
lives in the statement of activities. The amount of current year
capital outlay in excess of current year depreciation. 103,169

Revenues that are not available to pay current obligations are
not reported in the governmental funds financial statement,
but they are presented in the statement of activities. (20,697)

Repayment of long-term debt is shown as an expenditure in the
governmental funds financial statement but is not reported in the
statement of activities. 34,455

Proceeds from long-term debt is shown as revenue in the
governmental funds financial statement but is not reported
in the statement of activities. (101,800)

Change in net assets of governmental activities (\$ 14,711)

See notes to financial statements.

TOWNSHIP OF BURT

STATEMENT OF NET ASSETS
BUSINESS-TYPE FUNDS

March 31, 2006

	<u>Fuel System Fund</u>	<u>Woodland Park Fund</u>	<u>Marina Fund</u>	<u>Water System Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Current Assets:					
Cash	\$ 16,576	\$ 35,118	\$ 5,809	\$ 192,648	\$ 250,151
Accounts receivable	2,218	-	-	12,835	15,053
Due from other funds	<u>-</u>	<u>19,435</u>	<u>-</u>	<u>20,024</u>	<u>39,459</u>
TOTAL CURRENT ASSETS	<u>18,794</u>	<u>54,553</u>	<u>5,809</u>	<u>225,507</u>	<u>304,663</u>
Noncurrent Assets:					
Capital assets	100,000	412,885	114,414	897,506	1,524,805
Less: accumulated depreciation	<u>(30,000)</u>	<u>(134,161)</u>	<u>(6,750)</u>	<u>(615,805)</u>	<u>(786,716)</u>
	<u>70,000</u>	<u>278,724</u>	<u>107,664</u>	<u>281,701</u>	<u>738,089</u>
TOTAL ASSETS	<u>88,794</u>	<u>333,277</u>	<u>113,473</u>	<u>507,208</u>	<u>1,042,752</u>
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable and accrued expenses	-	850	-	2,859	3,709
Due to other funds	-	48	70,140	151	70,339
Deferred revenues	-	-	-	31,204	31,204
Current portion of noncurrent liabilities	<u>5,632</u>	<u>4,223</u>	<u>-</u>	<u>9,000</u>	<u>18,855</u>
TOTAL CURRENT LIABILITIES	<u>5,632</u>	<u>5,121</u>	<u>70,140</u>	<u>43,214</u>	<u>124,107</u>
Noncurrent Liabilities:					
Notes payable	13,555	11,465	-	-	25,020
Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,000</u>	<u>107,000</u>
TOTAL LIABILITIES	<u>19,187</u>	<u>16,586</u>	<u>70,140</u>	<u>150,214</u>	<u>256,127</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	50,813	263,036	107,664	165,701	587,214
Restricted for debt service	-	-	-	42,988	42,988
Unrestricted	<u>18,794</u>	<u>53,655</u>	<u>(64,331)</u>	<u>148,305</u>	<u>156,423</u>
TOTAL NET ASSETS	\$ <u>69,607</u>	\$ <u>316,691</u>	\$ <u>43,333</u>	\$ <u>356,994</u>	\$ <u>786,625</u>

See notes to financial statements

TOWNSHIP OF BURT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUSINESS -TYPE FUNDS

For the year ended March 31, 2006

	<u>Fuel System Fund</u>	<u>Woodland Park Fund</u>	<u>Marina Fund</u>	<u>Water System Fund</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 82,609	\$ 192,394	\$ 31,996	\$ 92,531	\$ 399,530
TOTAL OPERATING REVENUES	82,609	192,394	31,996	92,531	399,530
Operating Expenses:					
Wages and benefits	1,300	53,169	2,059	40,978	97,506
Office and supplies	255	8,287	2,017	4,701	15,260
Contracted services	704	3,931	1,579	4,861	11,075
Utilities and fuel	70,628	31,692	31,328	11,821	145,469
Repairs and maintenance	247	512	8,921	21,970	31,650
Depreciation	5,000	9,347	2,250	21,824	38,421
TOTAL OPERATING EXPENSES	78,134	106,938	48,154	106,155	339,381
Operating Income (Loss)	4,475	85,456	(16,158)	(13,624)	60,149
Nonoperating Revenues (Expenses):					
Interest income	-	2,030	390	5,807	8,227
Interest expense	(1,766)	(589)	-	(6,212)	(8,567)
Operating grants and contributions	-	-	9,092	-	9,092
Income before capital contributions and transfers	2,709	86,897	(6,676)	(14,029)	68,901
Capital contributions	-	-	19,991	-	19,991
Transfers in	7,700	-	-	60,984	68,684
Transfers out	(500)	(40,717)	(3,300)	(6,028)	(50,545)
CHANGE IN NET ASSETS	9,909	46,180	10,015	40,927	107,031
Net assets, beginning of year, as restated	59,698	270,511	33,318	316,067	679,594
Net assets, end of year	\$ <u>69,607</u>	<u>316,691</u>	<u>43,333</u>	<u>356,994</u>	<u>786,625</u>

See notes to financial statements

TOWNSHIP OF BURT

STATEMENT OF CASH FLOWS BUSINESS-TYPE FUNDS

For the year ended March 31, 2006

	Fuel System Fund	Woodland Park Fund	Marina Fund	Water System Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers	\$ 86,906	\$ 192,394	\$ 31,996	\$ 81,670	\$ 392,966
Payments to suppliers and employees	(73,134)	(96,741)	(45,904)	(81,965)	(297,744)
	<u>13,772</u>	<u>95,653</u>	<u>(13,908)</u>	<u>(295)</u>	<u>95,222</u>
Cash Flows From Noncapital Financing Activities:					
Subsidies received	-	-	9,092	-	9,092
Transfers from other funds	7,700	-	-	60,984	68,684
Transfers to other funds	(500)	(40,717)	(3,300)	(6,028)	(50,545)
	<u>7,200</u>	<u>(40,717)</u>	<u>5,792</u>	<u>54,956</u>	<u>27,231</u>
Cash Flows From Capital and Related Financing Activities:					
Changes in interfund activity	(783)	(12,454)	54,472	(10,485)	30,750
Proceeds from debt	-	20,000	-	-	20,000
Capital contributions	-	-	19,991	-	19,991
Purchase of capital assets	-	(29,000)	(67,414)	(32,562)	(128,976)
Payment of debt	(5,253)	(6,812)	-	(9,000)	(21,065)
Payment of interest expense	(1,766)	(589)	-	(6,250)	(8,605)
	<u>7,802</u>	<u>(28,855)</u>	<u>7,049</u>	<u>(58,297)</u>	<u>(87,905)</u>
Cash Flows From Investing Activities:					
Interest income received	-	<u>2,030</u>	<u>390</u>	<u>5,807</u>	<u>8,227</u>
	-	<u>2,030</u>	<u>390</u>	<u>5,807</u>	<u>8,227</u>
Net Increase (Decrease) in Cash	13,170	28,111	(677)	2,171	42,775
Cash, beginning of year	<u>3,406</u>	<u>7,007</u>	<u>6,486</u>	<u>190,477</u>	<u>207,376</u>
Cash, end of year	<u>16,576</u>	<u>35,118</u>	<u>5,809</u>	<u>192,648</u>	<u>250,151</u>

See notes to financial statements.

TOWNSHIP OF BURT

RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES BUSINESS-TYPE FUNDS

For the year ended March 31, 2006

	Fuel System Fund	Woodland Park Fund	Marina Fund	Water System Fund	Total
Operating income (loss)	\$ 14,475	\$ 85,456	(\$ 16,158)	(\$ 13,624)	\$ 60,149
Adjustments to Reconcile Operating Income to Cash Flows From Operating Activities:					
Depreciation	5,000	9,347	2,250	21,824	38,421
(Increase) decrease in accounts receivable	4,297	-	-	(12,631)	(8,334)
Increase (decrease) in accounts payable and accrued expense	-	850	-	2,366	3,216
Increase in deferred revenues	-	-	-	1,770	1,770
Cash Flows From Operating Activities	\$ <u>13,772</u>	\$ <u>95,653</u>	(\$ <u>13,908</u>)	(\$ <u>295</u>)	\$ <u>95,222</u>

See notes to financial statements.

TOWNSHIP OF BURT

FIDUCIARY FUNDS STATEMENT OF ASSETS AND LIABILITIES

March 31, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>5,888</u>
	\$ <u><u>5,888</u></u>
<u>LIABILITIES</u>	
Due to other governmental unites	\$ <u>5,888</u>
	\$ <u><u>5,888</u></u>

See notes to financial statements.

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Burt have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to governmental entities. A summary of the significant accounting policies followed in the preparation of the financial statements are presented below.

A) Reporting Entity - The Township of Burt's financial statements present the Township as the primary government. The Township does not have any component units.

B) Basic Financial Statements - The Township's basic financial statements are comprised of the following five components:

- 1) Government-wide financial statements
- 2) Governmental funds financial statements
- 3) Business-type funds financial statements
- 4) Fiduciary funds financial statements
- 5) Notes to the financial statements

- 1) Government-wide financial statements report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has generally been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Net Assets displays the assets, liabilities and net assets of the Township as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Program revenues include user fees, and grants and contributions restricted for specific operational or capital acquisition purposes. Taxes, unrestricted state grants and other revenues not properly reported as program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 2) Governmental funds financial statements report on the individual governmental funds of the Township. Major governmental funds are reported on separately and nonmajor governmental funds are grouped for reporting purposes

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenue sources meeting the availability criteria include state shared revenues. Various receivables collected after the period of availability would be recorded as deferred revenues.

Expenditures generally are recorded when a liability is incurred. Expenditures not normally paid from currently available resources are recorded when payment is due. Examples of expenditures recorded when due would include debt service expenditures, expenditures relating to compensated absences, and claims and judgments.

The individual governmental funds are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Township's governmental funds can be classified into two specific fund types. The specific fund types, purposes and the actual funds maintained by the Township, are as follows:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources and transactions not properly or legally accounted for in another of the Township's funds.

Special Revenue Funds - The Township's special revenue funds are used to account for proceeds of specific revenue sources or to finance specific activities as required by law or administration regulations. The following special revenue funds are maintained by the Township:

TOWNSHIP OF BURT
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Funds:

- Beach Access Fund
- Improvement Fund
- Ambulance Fund
- Revolving Loan Fund

Nonmajor Funds:

- Medical Facility Fund
- Harbor Fund
- Liquor Law Enforcement Fund
- Youth Center Fund
- Fire Department Fund

- 3) Business-type funds financial statements report proprietary funds that include enterprise funds. The Township's enterprise funds include the following:

- Fuel System Fund
- Woodland Park Fund
- Marina Fund
- Water System Fund

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows using the accrual basis of accounting. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and debt costs associated with financing capital acquisitions. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 4) Fiduciary fund financial statements are used to report assets held in a trustee or agency capacity for others and are not available to support general Township programs. The fiduciary funds are excluded from the government-wide financial statements. Fiduciary funds use the accrual basis of accounting. The Township's only fiduciary fund is the Current Tax Collection Fund.
- 5) Notes to the financial statements provide information to the reader that is considered critical to the readers understanding of the financial statements and the Township's financial position and activities. The disclosures provide information that generally cannot be determined by a reading of the other sections of the financial statements.

C) Budgets - The Township prepares and adopts budgets on a modified accrual basis. Unexpended appropriations lapse at the end of the fiscal year. The Township's general fund and special revenue fund expenditure budgets are adopted at the activity level. The Township Supervisor is responsible for the preparation and monitoring of the budget. The Township Board is responsible for the approval of the original budgets and any subsequent amendments.

D) Accounts Receivable - Property taxes and other accounts receivable are shown net of any allowance for amounts that the Township believes will be uncollectible. Amounts due from other governments represent accounts receivable from federal, state and local governments.

E) Capital Assets - Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has elected not to retroactively record the value of infrastructure assets.

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

• Fuel system	20 years
• Water system	40 years
• Buildings and improvements	40 years
• Land improvements	20 years
• Vehicles	5 years
• Equipment	5 years

Capital assets are recorded as an asset and depreciated for the government-wide financial statements and proprietary fund statements but are not recorded in the governmental fund financial statements. The acquisition of capital assets are reported as an expenditure in the governmental fund financial statements when acquired.

F) Deferred Revenues - Deferred revenues have met the asset recognition criteria but have not met the revenue recognition criteria. Deferred revenues include accounts receivable not received within the availability period of 60 days.

G) Noncurrent Liabilities - Noncurrent liabilities are reported in the government-wide financial statements but are not reported in the governmental funds financial statements. Proceeds from noncurrent liabilities and payments on those liabilities are recorded as other financing sources and debt service expenditures, respectively, in the governmental funds financial statements.

H) Net Asset Classifications - In the Government-wide financial statements, equity is classified as net assets and displayed in two components:

1. Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets for debt service.
3. Unrestricted net assets - all other net assets.

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) Property Taxes - The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on taxable valuation of property as of the preceding December 31. In addition to collecting their own taxes, the Township also acts as collection agent for all over-lapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Delinquent real property taxes are subsequently turned over to the County which maintains a tax revolving fund with permits the County to pay the Township 100% of the delinquent real taxes when approximately two or three months after the delinquency date of February 28.

The Township generally recognizes property taxes as revenue in the year the taxes are levied. Property taxes not meeting the availability criteria are recorded as deferred revenue in the governmental fund financial statements.

J) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - RESTATEMENT OF PRIOR YEAR BALANCES

The Township has restated the beginning fund balances and net assets of their governmental and business-type funds due to the correction of certain errors used in the preparation of their prior year financial statement. The effect of these error corrections was to reduce the beginning fund balance in the governmental fund financial statements from \$386,536 to \$303,205 and to increase the beginning net assets of the governmental activities in the government-wide financial statements from \$896,382 to \$907,057. In addition, the beginning net assets of the business-type funds decreased from \$709,028 to \$679,594.

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 3 - CASH DEPOSITS

Michigan compiled laws authorize and limit deposits and investments to federally insured financial institutions with offices in the State of Michigan, direct obligations of the United States, certain obligations of the State of Michigan or its' political subdivisions, specific investment grade short-term commercial paper, bankers acceptances of United States banks and mutual funds investing in authorized investment types.

Cash deposits are recorded at cost. At March 31, 2006, the carrying amount of the Township's cash deposits was \$580,415 and the bank balance was \$602,886, of which \$496,998 was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

The following summarizes capital asset activity for the year ended March 31, 2006:

	Balance April 1, <u>2005</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance March 31, <u>2006</u>
<u>Governmental Activities</u>				
Nondepreciated Capital Assets:				
Land	\$ 54,200	\$ 100,905	\$ -	\$ 155,105
Depreciated Capital Assets:				
Buildings and improvements	940,500	-	-	940,500
Land improvements	-	29,000	-	29,000
Vehicle	340,862	31,800	-	372,662
Equipment	<u>238,199</u>	<u>4,755</u>	<u>-</u>	<u>242,954</u>
TOTAL COST	<u>1,573,761</u>	<u>166,460</u>	<u>-</u>	<u>1,740,221</u>
Accumulated Depreciation:				
Buildings and improvements	(560,762)	(23,512)	-	(584,274)
Land improvements	(-)	(-)	-	(-)
Vehicles	(293,754)	(13,910)	-	(307,664)
Equipment	(<u>217,089</u>)	(<u>21,114</u>)	<u>-</u>	(<u>238,203</u>)
TOTAL ACCUMULATED	(<u>1,071,605</u>)	(<u>58,536</u>)	<u>-</u>	(<u>1,130,141</u>)
NET CAPITAL ASSETS	\$ <u>502,156</u>	\$ <u>107,924</u>	\$ <u>-</u>	\$ <u>610,080</u>

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 4 - CAPITAL ASSETS (Continued)

Business-type Activities

Nondepreciable Capital Assets:

Land	\$ 22,000	\$ 50,014	\$ -	\$ 72,014
Construction-in-progress	-	32,562	-	32,562

Depreciated Capital Assets:

Water system	854,944	-	-	854,944
Fuel system	100,000	-	-	100,000
Land improvements	45,000	31,400	-	76,400
Buildings	<u>373,885</u>	<u>15,000</u>	<u>-</u>	<u>388,885</u>

TOTAL COST	<u>1,395,829</u>	<u>128,976</u>	<u>-</u>	<u>1,524,805</u>
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Accumulated Depreciation:

Water system	(593,980)	(21,824)	-	(315,804)
Fuel system	(25,000)	(5,000)	-	(30,000)
Land improvements	(4,500)	(2,250)	-	(6,750)
Buildings	<u>(124,815)</u>	<u>(9,341)</u>	<u>-</u>	<u>(134,162)</u>

TOTAL ACCUMULATED	<u>(748,295)</u>	<u>(38,421)</u>	<u>-</u>	<u>(786,716)</u>
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NET CAPITAL ASSETS	\$ <u>647,634</u>	\$ <u>90,555</u>	\$ <u>-</u>	\$ <u>738,089</u>
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Depreciation expense was charged to the following functions in the Township's Statement of Activities in the government-wide financial statements:

Governmental activities:

General government	\$ 9,262
Public safety	29,424
Public works	4,000
Health and welfare	3,425
Recreation and culture	12,425

Business-type activities:

Water system	21,824
Park	9,347
Marina	2,250
Fuel system	<u>5,000</u>

\$	<u>96,957</u>
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TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 5- DEFERRED REVENUES

As of March 31, 2006, the Township's deferred revenues consisted of the following in the governmental funds financial statements:

Taxes receivable	\$	17,141
State revenue sharing receivable		2,496
Note receivable		<u>96,167</u>
	\$	<u>115,804</u>

NOTE 6 - NONCURRENT LIABILITIES

Noncurrent liabilities in the government-wide financial statements consist of bonds and notes payable. A summary of changes in these long-term debt amounts is as follows for the year ended March 31, 2006:

Governmental Activities

	Balance April 1, 2005	Additions	Reductions	Balance March 31, 2006
Installment notes	\$ 39,560	\$ 31,800	\$ 24,455	\$ 46,905
Land contract	<u>-</u>	<u>70,000</u>	<u>10,000</u>	<u>60,000</u>
	<u>\$ 39,560</u>	<u>\$ 101,800</u>	<u>\$ 34,455</u>	<u>\$ 106,905</u>

Outstanding obligations at March 31, 2006 consisted of the following:

Installment note for fire equipment payable in semi-annual payments of \$9,289, including interest at 6.05%	\$ 20,586
Installment note for public works vehicle payable in annual payments of \$5,925, including interest at 4.5%	26,319
Land contract payable in annual installments of \$10,000, 0% interest	<u>60,000</u>
	<u>\$ 106,905</u>

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 6 - NONCURRENT LIABILITIES (CONTINUED)

Estimated principal and interest payments through maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended March 31, 2007	\$ 32,336	\$ 2,167	\$ 34,503
2008	17,945	1,062	19,007
2009	15,177	748	15,925
2010	15,410	515	15,925
2011	16,037	272	16,309
2012	<u>10,000</u>	<u>-</u>	<u>10,000</u>
	\$ <u>106,905</u>	\$ <u>4,764</u>	\$ <u>111,669</u>

Business-type Activities

	Balance April 1, 2005	<u>Additions</u>	<u>Reductions</u>	Balance March 31, 2006
Bonds	\$ 125,000	\$ -	\$ 9,000	\$ 116,000
Installment notes	<u>26,940</u>	<u>20,000</u>	<u>12,063</u>	<u>34,877</u>
	\$ <u>151,940</u>	\$ <u>20,000</u>	\$ <u>21,063</u>	\$ <u>150,877</u>

Bond proceeds were used for the construction of the water system.

The unlimited tax general obligation revenue bond debt is held by the federal government and requires semi-annual interest payments at 5.0% and principal payments on an annual basis.

\$ 116,000

Fuel system note payable in annual payments of \$7,019, including interest at 7.0%

17,188

Park system installment note payable in annual payments of \$5,000, plus interest at 4.0%

15,689

\$ 150,877

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 6 - NONCURRENT LIABILITIES (CONTINUED)

Estimated principal and interest payments through maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended March 31, 2007	\$ 19,529	\$ 7,291	\$ 26,820
2008	19,979	6,389	26,368
2009	22,369	5,468	27,837
2010	9,000	4,450	13,450
2011	10,000	4,000	14,000
Five years ended March 31, 2016	50,000	12,500	62,500
Two years ended March 31, 2018	<u>20,000</u>	<u>1,500</u>	<u>21,500</u>
	\$ <u>150,877</u>	\$ <u>41,598</u>	\$ <u>192,475</u>

NOTE 7 - INTERFUND BALANCES

Interfund balances as of March 31, 2006 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water System	\$ 151
General	Marina	164
Ambulance	General	10,000
Woodland Park	General	8,907
Nonmajor funds	General	39,339
Improvement	General	7,249
Nonmajor	Marina	10,000
Woodland Park	Marina	10,527
Revolving Loan	Marina	49,449
Water System	Revolving Loan	20,000
Water System	Woodland Park	24
Nonmajor funds	Woodland Park	<u>24</u>
		\$ <u>155,834</u>

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 7 - INTERFUND BALANCES (Continued)

Interfund balances as of March 31, 2006 originated for the following purposes:

Short-term advances for purposes of investment yield	\$	50,000
Short-term liquidation advances		96,698
Time lag between dates items are charged to funds and the reimbursement thereof		<u>9,136</u>
	\$	<u><u>155,834</u></u>

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers for the year ended March 31, 2006 are as follows:

<u>Transferred to Fund</u>	<u>Transferred from Fund</u>	<u>Amount</u>
General	Woodland Park	\$ 30,000
General	Fuel System	500
General	Marina	1,500
General	Improvement	9,000
General	Water	3,500
General	Ambulance	7,500
General	Nonmajor funds	2,000
Improvement	Water	1,028
Fuel System	Water	1,500
Water	Improvement	50,000
Water	Park	4,859
Water	Nonmajor funds	6,125
Fuel System	Nonmajor funds	1,000
Nonmajor funds	Park	4,858
Fuel System	Ambulance	900
Fuel System	Improvement	1,500
Fuel System	Marina	1,800
Fuel System	Woodland Park	<u>1,000</u>
		\$ <u><u>128,570</u></u>

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 8 - INTERFUND TRANSFERS (Continued)

Interfund transfers to the General Fund are for the purpose of subsidizing the expenditures of the General Fund. Transfers to the Water System Fund were principally to assist in the financing of the construction of the new water well. Transfers to the Fuel System Fund were principally to assist in the debt service requirements for paydown of the fuel system debt.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risk of loss related to torts, theft, accident, errors, omissions, injury and disaster. The Township's principal resource used to manage these risks is through the purchase of commercial property and liability insurance policies.

NOTE 10 - BUDGET OVEREXPENDITURES

Expenditures in excess of budget amounts are in violation of State budgetary law. The following excess expenditures were incurred during the current year.

	<u>Budget</u>	<u>Actual</u>	<u>Overexpenditure</u>
General Fund:			
Board of review	\$ 2,150	\$ 2,902	\$ 752
Assessor	15,100	16,504	1,404
Payroll taxes, penalties & interest	10,500	31,373	20,873
Beach Access Fund:			
Recreation - capital outlay	-	101,572	101,572
Debt service	-	10,000	10,000
Improvement Fund:			
General government	17,572	39,521	21,679
Public safety	24,000	74,927	50,927
Public works	102,373	106,906	4,533
Debt service	1,028	7,984	6,956
Harbor Fund	-	7,579	7,579

TOWNSHIP OF BURT

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 11 - OTHER LIABILITIES

Included in other liabilities of the governmental funds at March 31, 2006 are unpaid delinquent payroll taxes, penalty and interest of \$100,190, including penalty and interest of \$37,256. Substantially all of these outstanding amounts were paid subsequent to March 31, 2006.

NOTE 12 - FUND DEFICIT

The Township's General Fund had a deficit fund balance at March 31, 2006 of \$44,709. This represents an increase during the year of \$11,155 from the prior year deficit, as restated, of \$33,554.

NOTE 13 - SUBSEQUENT EVENTS

On September 20, 2006, the Township Board approved a \$175,000 line-of-credit which is secured by real estate owned by the Township. Total draws against the line-of-credit as of October 6, 2006 were \$100,000. The draws were used principally to pay short-term notes used by Township to pay delinquent taxes.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF BURT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 64,355	\$ 65,939	\$ 1,584
State sources	30,000	35,606	5,606
Local sources	11,900	14,600	2,700
Charges for services	12,630	14,431	1,801
Interest and rentals	8,930	7,115	(1,815)
Other	<u>38,861</u>	<u>25,193</u>	(<u>13,668</u>)
TOTAL REVENUES	<u>166,676</u>	<u>162,884</u>	(<u>3,792</u>)
Expenditures:			
Legislative	4,750	3,600	1,150
General government	234,964	211,302	23,662
Recreation and culture	<u>20,694</u>	<u>13,137</u>	<u>7,557</u>
TOTAL EXPENDITURES	<u>260,408</u>	<u>228,039</u>	<u>32,369</u>
Excess of revenues (expenditures)	(93,732)	(65,155)	28,577
Other Financing Sources (Uses):			
Transfers in	<u>57,900</u>	<u>54,000</u>	(<u>3,900</u>)
TOTAL OTHER SOURCES (USES)	<u>57,900</u>	<u>54,000</u>	(<u>3,900</u>)
Change in Fund Balance	(35,832)	(11,155)	24,677
Fund Balance, beginning of year	(<u>33,554</u>)	(<u>33,554</u>)	<u>-</u>
Fund Balance, end of year	(\$ <u>69,386</u>)	(\$ <u>44,709</u>)	\$ <u>24,677</u>

' OF BURT

BEACH ACCESS FUND BUDGETARY COMPARISON SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Local sources	\$ -	\$ 10,489	\$ 10,489
Interest and rentals	<u>-</u>	<u>102</u>	<u>102</u>
TOTAL REVENUES	<u>-</u>	<u>10,591</u>	<u>10,591</u>
Expenditures:			
Recreation and culture	-	101,572	(101,572)
Debt service	<u>-</u>	<u>10,000</u>	(<u>10,000</u>)
TOTAL EXPENDITURES	<u>-</u>	<u>111,572</u>	(<u>111,572</u>)
Excess of revenues (expenditures)	-	(100,981)	(100,981)
Other Financing Sources (Uses):			
Loan proceeds	<u>-</u>	<u>70,000</u>	<u>70,000</u>
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>70,000</u>	<u>70,000</u>
Change in Fund Balance	-	(30,981)	(30,981)
Fund Balance, beginning of year	<u>42,251</u>	<u>42,251</u>	<u>-</u>
Fund Balance, end of year	\$ <u><u>42,251</u></u>	\$ <u><u>11,270</u></u>	(\$ <u><u>30,981</u></u>)

TOWNSHIP OF BURT

IMPROVEMENT FUND BUDGETARY COMPARISON SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 119,580	\$ 101,462	(\$ 18,118)
Federal grants	24,000	79,206	55,206
State grants	15,000	18,200	3,200
Charges for services	2,800	2,630	(170)
Interest and rentals	750	1,431	681
Other	<u>250</u>	<u>404</u>	<u>154</u>
TOTAL REVENUES	<u>162,380</u>	<u>203,333</u>	<u>40,953</u>
Expenditures:			
General government	17,572	39,251	(21,679)
Public safety	24,000	74,927	(50,927)
Public works	102,373	106,906	(4,533)
Debt service	<u>1,028</u>	<u>7,984</u>	(<u>6,956</u>)
TOTAL EXPENDITURES	<u>144,973</u>	<u>229,068</u>	(<u>84,095</u>)
Excess of revenues (expenditures)	17,407	(25,735)	(43,142)
Other Financing Sources (Uses):			
Transfers in	-	1,028	1,028
Transfers out	(10,500)	(10,500)	-
Loan proceeds	<u>-</u>	<u>31,800</u>	<u>31,800</u>
TOTAL OTHER SOURCES (USES)	(<u>10,500</u>)	<u>22,328</u>	<u>32,828</u>
Change in Fund Balance	6,907	(3,407)	(10,314)
Fund Balance, beginning of year	<u>61,002</u>	<u>61,002</u>	<u>-</u>
Fund Balance, end of year	<u>67,909</u>	<u>57,595</u>	(<u>10,314</u>)

TOWNSHIP OF BURT

AMBULANCE FUND BUDGETARY COMPARISON SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Local sources	\$ 25,000	\$ 24,135	(\$ 865)
Charges for services	24,000	46,392	22,392
Interest and rentals	-	605	605
Other	<u>-</u>	<u>3,039</u>	<u>3,039</u>
TOTAL REVENUES	<u>49,000</u>	<u>74,171</u>	<u>25,171</u>
Expenditures:			
Health and welfare - ambulance	<u>41,105</u>	<u>40,508</u>	<u>597</u>
TOTAL EXPENDITURES	<u>41,105</u>	<u>40,508</u>	<u>597</u>
Excess of revenues (expenditures)	7,895	33,663	25,768
Other Financing Sources (Uses):			
Transfers out	(<u>5,900</u>)	(<u>8,400</u>)	(<u>2,500</u>)
TOTAL OTHER SOURCES (USES)	(<u>5,900</u>)	(<u>8,400</u>)	(<u>2,500</u>)
Change in Fund Balance	1,995	25,263	23,268
Fund Balance, beginning of year	<u>29,295</u>	<u>29,295</u>	<u>-</u>
Fund Balance, end of year	\$ <u><u>31,920</u></u>	\$ <u><u>54,558</u></u>	\$ <u><u>23,268</u></u>

TOWNSHIP OF BURT

REVOLVING LOAN FUND BUDGETARY COMPARISON SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Interest	\$ 10,500	\$ 9,936	(\$ 564)
Other - principal collections	<u>20,000</u>	<u>20,942</u>	<u>942</u>
TOTAL REVENUES	<u>30,500</u>	<u>30,878</u>	<u>378</u>
Expenditures:			
Other - administration	<u>1,150</u>	<u>1,002</u>	<u>148</u>
TOTAL EXPENDITURES	<u>1,150</u>	<u>1,002</u>	<u>148</u>
Excess of revenues (expenditures)	29,350	29,876	526
Other Financing Sources (Uses):			
Transfers in	5,000	-	(5,000)
Transfers out	(<u>55,000</u>)	(<u>50,000</u>)	<u>5,000</u>
TOTAL OTHER SOURCES (USES)	(<u>50,000</u>)	(<u>50,000</u>)	<u>-</u>
Change in Fund Balance	(20,650)	(20,124)	526
Fund Balance, beginning of year	<u>87,972</u>	<u>87,972</u>	<u>-</u>
Fund Balance, end of year	\$ <u><u>67,322</u></u>	\$ <u><u>67,848</u></u>	\$ <u><u>526</u></u>

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF BURT

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

March 31, 2006

	Medical Facility Fund	Harbor Fund	Liquor Law Enforcement Fund	Youth Center Fund	Fire Department Fund	Total
<u>ASSETS</u>						
Cash	\$ 2,919	\$ 46,729	\$ -	\$ -	\$ 27,109	\$ 76,757
Accounts receivable	685	-	-	-	-	685
Taxes receivable	-	790	-	-	4,711	5,501
Due from other funds	-	30,024	-	-	19,339	49,363
TOTAL ASSETS	\$ 3,604	\$ 77,543	\$ -	\$ -	\$ 51,159	\$ 132,306
<u>LIABILITIES</u>						
Deferred revenues	\$ -	\$ 790	\$ -	\$ -	\$ 4,711	\$ 5,501
TOTAL LIABILITIES	-	790	-	-	4,711	5,501
<u>FUND BALANCES</u>						
Unreserved	3,604	76,753	-	-	46,448	126,805
TOTAL FUND BALANCES	3,604	76,753	-	-	46,448	126,805
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,604	\$ 77,543	\$ -	\$ -	\$ 51,159	\$ 132,306

TOWNSHIP OF BURT

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the year ended March 31, 2006

	Medical Facility Fund	Harbor Fund	Liquor Law Enforcement Fund	Youth Center Fund	Fire Department Fund	Total
Revenues:						
Taxes	\$ -	\$ 8,447	\$ -	\$ -	\$ 50,394	\$ 58,841
State sources	-	-	1,016	-	-	1,016
Local sources	-	-	-	-	100	100
Charges for services	7,369	-	-	1,829	-	9,198
Interest and rentals	244	1,247	-	-	765	2,256
Other	-	127	-	-	2,257	2,384
TOTAL REVENUES	7,613	9,821	1,016	1,829	53,516	73,795
Expenditures:						
Public safety	-	-	1,016	-	22,991	24,007
Health and welfare	6,861	-	-	-	-	6,861
Recreation and culture	-	7,579	-	1,938	-	9,517
Debt service	-	-	-	-	18,577	18,577
TOTAL EXPENDITURES	6,861	7,579	1,016	1,938	41,568	58,962
Excess of Revenues (Expenditures)	752	2,242	-	(109)	11,948	14,833
Other Financing Sources (Uses):						
Transfers in	-	4,858	-	-	-	4,858
Transfers out	-	(1,500)	-	-	(7,625)	(9,125)
Loan proceeds	-	-	-	-	-	-
TOTAL OTHER SOURCES (USES)	-	3,358	-	-	(7,625)	(4,267)
Change in Fund Balances	752	5,600	-	(109)	4,323	10,566
Fund Balances, beginning of year as restated	2,852	71,153	-	109	42,125	116,239
Fund Balances, end of year	\$ 3,604	\$ 76,753	\$ -	\$ -	\$ 46,448	\$ 126,805

TOWNSHIP OF BURT

GENERAL FUND REVENUE BUDGETARY COMPARISON SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 17,500	\$ 17,519	\$ 19
Delinquent taxes, penalties, and interest	2,205	3,060	855
Property tax administrative fees	8,300	9,745	1,445
Swamp tax	29,700	29,695	(5)
Commercial forest reserve	3,150	3,052	(98)
Other taxes	3,500	2,868	(632)
 State Sources:			
Revenue sharing	30,000	34,067	4,067
Other	-	1,539	1,539
 Local Sources	11,900	14,600	2,700
 Charges for Services	12,630	14,431	1,801
 Interest and Rentals:			
Interest income	180	2,135	1,955
Rents	8,750	4,980	(3,770)
 Other:			
Miscellaneous	<u>38,861</u>	<u>25,193</u>	(<u>13,668</u>)
	\$ <u>166,676</u>	\$ <u>162,884</u>	(\$ <u>3,792</u>)

TOWNSHIP OF BURT

GENERAL FUND EXPENDITURE BUDGETARY COMPARISON
SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Legislative:			
Township Board	\$ 4,750	\$ 3,600	\$ 1,150
General Government:			
Township Supervisor	17,600	15,060	2,540
Township Clerk	19,250	17,404	1,846
Township Treasurer	23,150	22,576	574
Township hall/general operations	122,564	91,413	31,151
Board of review	2,150	2,902	(752)
Planning and zoning	8,750	6,027	2,723
Elections	9,400	2,859	6,541
Legal and accounting	6,500	5,184	1,316
Assessor	15,100	16,504	(1,404)
Payroll taxes, penalties and interest	10,500	31,373	(20,873)
Recreation and Culture:			
Library	2,994	2,851	143
Community center	<u>17,700</u>	<u>10,286</u>	<u>7,414</u>
	\$ <u>260,408</u>	\$ <u>228,039</u>	\$ <u>32,369</u>

TOWNSHIP OF BURT

MEDICAL FACILITY FUND BUDGETARY COMPARISON SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 9,875	\$ 7,369	(\$ 2,506)
Interest	-	44	44
Rents	<u>20</u>	<u>200</u>	<u>180</u>
	<u>9,895</u>	<u>7,613</u>	(<u>2,282</u>)
Expenditures:			
Health services	<u>8,843</u>	<u>6,861</u>	<u>1,982</u>
Excess of revenues (expenditures)	1,052	752	(300)
Fund balance, beginning of year	<u>2,852</u>	<u>2,852</u>	<u>-</u>
Fund balance, end of year	\$ <u>3,904</u>	\$ <u>3,604</u>	(\$ <u>300</u>)

TOWNSHIP OF BURT

HARBOR FUND BUDGETARY COMPARISON
SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ -	\$ 8,447	\$ 8,447
Interest	-	1,247	1,247
Other	<u>-</u>	<u>127</u>	<u>127</u>
	<u>-</u>	<u>9,821</u>	<u>9,821</u>
 Expenditures:			
Recreation	<u>-</u>	<u>7,579</u>	(<u>7,579</u>)
 Excess of revenues (expenditures)	-	2,242	2,242
 Transfers in	-	4,858	4,858
Transfers out	<u>-</u>	(<u>1,500</u>)	(<u>1,500</u>)
 Change in fund balance	-	5,600	5,600
 Fund balance, beginning of year	<u>71,153</u>	<u>71,153</u>	<u>-</u>
 Fund balance, end of year	\$ <u><u>71,153</u></u>	\$ <u><u>76,753</u></u>	\$ <u><u>5,600</u></u>

TOWNSHIP OF BURT

LIQUOR LAW ENFORCEMENT FUND BUDGETARY COMPARISON
SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
State source	\$ <u>1,400</u>	\$ <u>1,016</u>	(\$ <u>384</u>)
Expenditures:			
Law enforcement	<u>1,400</u>	<u>1,016</u>	<u>384</u>
Excess of revenues (expenditures)	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

TOWNSHIP OF BURT

YOUTH CENTER FUND BUDGETARY COMPARISON
SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 1,450	\$ 1,829	\$ 379
Contributions	<u>5,500</u>	<u>-</u>	(<u>5,500</u>)
	<u>6,950</u>	<u>1,829</u>	(<u>5,121</u>)
Expenditures:			
Recreation	<u>6,300</u>	<u>1,938</u>	<u>4,362</u>
Excess of revenues (expenditures)	650	(109)	(759)
Fund balance, beginning of year	<u>109</u>	<u>109</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>759</u></u>	\$ <u><u>-</u></u>	(\$ <u><u>759</u></u>)

TOWNSHIP OF BURT

FIRE DEPARTMENT FUND BUDGETARY COMPARISON
SCHEDULE

For the year ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 50,341	\$ 50,394	\$ 53
Charges for services	1,000	-	(1,000)
Interest	1,300	765	(535)
Contributions	100	100	-
Other	<u>-</u>	<u>2,257</u>	<u>2,257</u>
	<u>52,741</u>	<u>53,516</u>	<u>775</u>
Expenditures:			
Fire protection	23,205	22,991	214
Debt service	<u>18,600</u>	<u>18,577</u>	<u>23</u>
	<u>41,805</u>	<u>41,568</u>	<u>237</u>
Excess of revenues (expenditures)	10,936	11,948	1,012
Transfers out	<u>7,625</u>	<u>7,625</u>	<u>-</u>
Change in fund balance	3,311	4,323	1,012
Fund balance, beginning of year	<u>42,125</u>	<u>42,125</u>	<u>-</u>
Fund balance, end of year	\$ <u>45,436</u>	\$ <u>46,448</u>	\$ <u>1,012</u>



*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.

Denise M. Boyle, C.P.A., P.C.

Bruce D. Dewor, C.P.A.

Karen L. Meiers, C.P.A., P.C.

October 6, 2006

Township Board
Township of Burt
Alger County, Michigan

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the Township of Burt, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Burt's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township of Burt's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of reportable conditions and other matters.




A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described in the accompanying schedule of reportable conditions and other matters are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Burt's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*. These instances are reported upon in the accompanying schedule of reportable conditions and other matters.

This report is intended for the information and use of the Township Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

TOWNSHIP OF BURT

SCHEDULE OF REPORTABLE CONDITIONS AND OTHER MATTERS

MARCH 31, 2006

Cash Reconciliation Approval

Current accounting procedures require the Township Treasurer to prepare monthly bank reconciliations and to prepare a cash and certificate of deposit summary report for approval at the monthly Township Board meeting. Our audit procedures indicated that there was no documentation indicating that another employee was reviewing or approving the bank reconciliations or verifying the certificates of deposit.

To maximize internal control over this area, we recommend that another employee review the bank reconciliations and verify outstanding certificates of deposit on a monthly basis. Ideally, this employee would be independent of other cash functions. This review and approval should be documented by the employee initialing the reconciliation form.

In addition to reviewing the account reconciliations, the employee should also verify that the reconciled balances are in agreement with the Township's general ledger system.

Cash Receipting and Depositing

Cash received over the counter or through the mail is not being adequately controlled through the use of a receipt book or daily cash receipt log. In addition, cash collections are not being directly deposited in all cases and receipts are currently being routed through employees responsible for customer billing and reconciliation of accounts receivable.

We recommend that the Township secretary maintain a log of all cash received over the counter or through the mail. A copy of the control log and the intact deposit should be presented to the Treasurer and a treasurers receipt should be obtained that should be filed with the original control log. Ideally, a daily log and receipt file should be maintained, however, during periods of slow cash receipting, a weekly log and treasurers receipt might be frequent enough to avoid the threat of loss or theft of cash.

Control of the log and receipts should be maintained by the secretary until presented to the Treasurer. Payments received should not be forwarded to employees responsible for accounts receivable billing, however, a copy of the completed receipt log should be forwarded to these employees for purposes of crediting customer accounts.

Segregation of Duties Between Billing and Cash Receipting

Both the Township Clerk and the secretary are currently responsible for customer billing and recording payments against customer accounts. In addition, receipts are currently being routed to them for purposes of recording payments against customer accounts. The commingling of the cash receipting and billing functions creates a significant lack of segregation of duties.

TOWNSHIP OF BURT

SCHEDULE OF REPORTABLE CONDITIONS AND OTHER MATTERS (CONTINUED)

MARCH 31, 2006

Segregation of Duties Between Billing and Cash Receipting (Continued)

We recommend that the billing function for all customer accounts be performed by the Township Clerk. This would include the billing, recording of customer payments and the monthly reconciliation of accounts receivable. The monthly accounts receivable reconciliation should be reviewed by an independent employee.

General Ledger Controls and Reconciliations

Our audit procedures indicated that there was a significant lack of controls over general ledger activity during the year ended March 31, 2006. In excess of 120 adjustments were required to be prepared and posted to the accounts at year-end to properly adjust general ledger balances.

The Township must provide for the periodic reconciliations of significant general ledger balances on a regular basis. This is particularly important with regard to interfund balances, interfund transfers and with regard to payroll related accounts. Significant year-end adjustments were required to be made to these accounts to reconcile them to correct balances.

Without adequate general ledger controls, there is no basis for reliance on periodic internally prepared financial statements and there is no way to adequately monitor actual and budget activity.

Periodic Cutoff Controls

As of March 31, 2006, two checks totaling \$12,472 were written from Township accounts for deposit into other Township accounts. The disbursements were recorded at March 31, 2006 and the two checks were properly shown as outstanding checks on the account reconciliations. The corresponding deposits, however, were not recorded in the other Township accounts until after year-end.

In connection with required general ledger controls, the Township must develop a system of controls to insure that transactions are being recorded in the proper accounting period.

Budget Procedures

Proper budget procedures and preparation are essential to maintaining financial control and accountability in the operation of the Township. A critical part of the budget process is the active monitoring of actual and budgeted expenditures to ensure that the Township is maintaining its financial plan.

TOWNSHIP OF BURT
SCHEDULE OF REPORTABLE CONDITIONS AND OTHER
MATTERS (CONTINUED)

MARCH 31, 2006

Budget Procedures (Continued)

During the current year, the Township incurred numerous budget overexpenditures that are the result of inadequate monitoring and the lack of general ledger controls previously discussed. Overexpenditures are in violation of State law.

In addition, State budget laws require that certain minimum information be included in the Township's budget document, including data related to the last completed fiscal year, the current year estimated data and budget year data. The Township's budget document does not comply with these requirements. We strongly recommend that the Township review State budgeting requirements to ensure compliance therewith.

Interfund Transfers and Advances

Our audit procedures disclosed an inordinate number of interfund transfers and advances during the audit period. Specific Board authorization for many of these transactions could not be traced to the Township Board minutes. Included in these transactions were numerous administrative reimbursements that were made to the Township's General Fund from the other funds of the Township. These administrative reimbursements appear to be arbitrary rather than being based on a reasonable allocation method. Accordingly, these types of transactions should be recorded as transfers between funds.

Specific Board authorizations for interfund transactions is critical to avoid ambiguity in the purpose of the transactions. There were numerous transactions during the period where the intent of the Township was not clear whether the transactions were advances or transfers. In addition, appropriate care must be taken with regard to expense reimbursements from restricted revenue sources. Use of these funds without adequate documentation of expense allocations would be a misuse of Township funds.

Specifically, we recommend that all expected transfers be budgeted and that all transfers or advances be individually approved by the Township Board and that these approvals be documented in the Township Board minutes.

Board Minutes

All significant Township Board actions and decisions need to be adequately documented and referenced in the Township Board minutes. The Board minutes should provide adequate information regarding budget adoptions and amendments, and accountability for other significant transactions, including interfund transfers, capital grants, related party transactions, acquisition of significant capital assets and approval for Township borrowing.

TOWNSHIP OF BURT

SCHEDULE OF REPORTABLE CONDITIONS AND OTHER MATTERS (CONTINUED)

MARCH 31, 2006

Board Minutes (Continued)

On numerous occasions during our audit procedures we attempted to trace specific transactions to approval in the Board minutes and were not able to do so. Board minutes are a critical part of the accountability system of the Township and they need to be accurate and complete.

Financial Reports

The operating and financial characteristics of the Township are more complex than most similar size Townships. To properly manage this complexity requires that the Township accounting system provide accurate, reliable and timely financial information and maintain strong internal controls.

The focal point of the accounting system should include the ability to prepare monthly financial statements for each fund for the Township Boards' review. These monthly financial statements should include budget and actual comparisons to ensure budgetary compliance.

Payroll Tax Compliance

During our audit engagement it was disclosed that the Township was not in compliance with federal and state payroll reporting and depositing requirements. Significant amounts of required payroll withholding payments were not being paid as required and required payroll reporting forms were not being correctly filed.

The Township must develop internal controls to ensure that all required payroll tax payments are made when required. These controls should include verification of payments by an individual independent of the payroll function.

Grant Documentation and Control

Numerous operating and capital grants were in process during the current audit period. Our procedures indicated a general lack of control over the activity of these grants, as follows:

1. Grant reimbursements were received and deposited into the wrong funds.
2. Documentation regarding the related expenditures incurred under the grants could not readily be provided.
3. Grant transactions were not being recorded properly.

TOWNSHIP OF BURT

**SCHEDULE OF REPORTABLE CONDITIONS AND OTHER
MATTERS (CONTINUED)**

MARCH 31, 2006

Grant Documentation and Control (Continued)

The Township must develop internal controls so that the accounting for grants is complete and properly documented. Included in these controls should be the following items:

1. All grants should be under the control and oversight of the Township Supervisor or manager.
2. Orderly grant files should be maintained for each grant. Included in the file should be a log of all expenditures incurred and charged to the grant. This log should be independent of any general ledger accounts used to track grant expenditures.
3. Adequate communication must exist between Township officials so that grant receipts and disbursements are properly accounted for and recorded correctly in the general ledger.